

Message Text

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C O N F I D E N T I A L CAIRO 9481

EXDIS

EO 11652: GDS

TAGS: PFOR EG US IMF

SUBJECT: ASSISTANCE TO EGYPT: IMF PROGRAM

1. AS REPORTED ELSEWHERE, MINECON SHAFEI HAS BEEN UNAVAILABLE FOR PAST TWO WEEKS AND THIS MORNING AGAIN WAS UNEXPECTEDLY CALLED TO ALEXANDRIA TO MEET WITH THE PRESIDENT. MINFINANCE ABU ISMAIL, WITH WHOM I HAD A MEETING SCHEDULED FOR TOMORROW, TELEPHONED THIS AFTERNOON TO SAY HE, TOO, HAS BEEN SUMMONED TO ALEXANDRIA TO MEET WITH THE PRESIDENT TOMORROW. HE DOES NOT EXPECT TO BE BACK UNTIL LATE TOMORROW, AND WE HAVE RE-SCHEDULED A MEETING FOR THURSDAY, JULY 15.

2. I MENTIONED TO ABU ISMAIL OUR DISAPPOINTMENT AT REPORTS THAT GOE HAS INFORMED IMF IT IS NOT PREPARED TO GO AHEAD WITH IMF PROGRAM AT THIS TIME AND PLANS TO DELAY IMPLEMENTATION UNTIL SOMETIME LATER THIS YEAR.

3. ABU ISMAIL ARGUED THAT GOE HAS NOT ABANDONED ITS COMMITMENT TO ACCEPT MOST OF IMF RECOMMENDATIONS. AS WE KNEW, SOME ACTIONS HAVE ALREADY BEEN TAKEN, INCLUDING SHIFTING OF CONSIDERABLE PURCHASES BY GOE MINISTRIES TO PARALLEL MARKET AND REQUIRING CUSTOMS TO BE PAID AT PARALLEL MARKET EVALUATIONS OF IMPORTS. IBRD HAD JUST SENT HIM LETTER APPLAUDING THIS STEP. RECALLING HE HAD TAKEN THIS STEP EARLIER WITHOUT NOTIFYING HIS COLLEAGUES,
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HE NOTE GREAT ANGUISH IT CAUSED AMONG MANY OF HIS

CABINET COLLEAGUES, WHO HAVE BERATED HIM FOR HANDLING MATTER THE WAY HE DID. IT HAS BROUGHT ABOUT AN INCREASE IN PRICES, AND ONLY THIS MORNING PEOPLE'S ASSEMBLY SPENT THREE HOURS CRITICIZING GOE IN GENERAL AND HIM IN PARTICULAR AS BEING RESPONSIBLE FOR RAISING PRICES THROUGH THIS DEVICE.

4. ABU ISMAIL AGAIN NOTED PARLIMAMENTARY ELECTION TAKES PLACE IN FEW MONTHS TIME. MARXISTS/NASSERISTS ARE WELL ORGANIZED AND SEIZING UPON ANYTHING TO PILLORY PRESENT CABINET. ALTHOUGH MANY OF THEM KNOW BETTER, RISE IN COST OF LIVING IS BEING USED TO MAXIMUM ADVANTAGE BY THIS INCIPIENT OPPOSITION. DECISION TO STOP FURTHER IMPLEMENTATION OF IMF RECOMMENDATIONS UNTIL AFTER THE ELECTIONS WAS TAKEN AT HIGHEST LEVELS IN ORDER TO AVOID GIVING LEFTISTS OPPORTUNITY CHARGE PRESENT CABINET IS INDIFFERENT TO THE WELFARE OF THE EGYPTIAN PEOPLE AS EVIDENCED BY ITS TAKING ACTIONS THAT WILL FURTHER INCREASE THE COST OF LIVING. GOE, ABU ISMAIL INSISTED, INTENDS TO CONTINUE WITH IMF PROPOSALS AFTER THE ELECTIONS.

5. ABU ISMAIL CONCLUDED THAT GOE HAS HAD THE COURAGE TO PERMIT SOME PRICES TO RISE AND THAT IT RECOGNIZES OTHERS WILL HAVE TO RISE AS WELL. HOWEVER, MATTER IS ONE OF TIMING AND BETWEEN NOW AND THE ELECTIONS IS SIMPLY NOT A PROPITIOUS TIME FOR THE GOVT TO TAKE FURTHER STEPS THAT COULD REDOUND AGAINST IT IN THE UP-COMING ELECTION CAMPAIGN.
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